Apollo Bermuda Limited

Financial Statements
December 31, 2023 and 2022

Contents

Company Information

Executive Directors

Name	Appointed
James Slaughter	January 25, 2022
David Ibeson	January 25, 2022

Non Executive Directors

Name	Appointed
Scott Cobon	January 4, 2022
Susan Pateras	January 27, 2022

Company Secretary

Artex Corporate Services (Bermuda) Ltd

Insurance Manager

Artex Insurance Management (Bermuda) Ltd

Independent Auditor

Deloitte Ltd
20 Parliament Street
Hamilton, HM12
Bermuda

Registered Office

Wessex House
45 Reid Street
Hamilton, HM12
Bermuda

The Directors present their Report together with the audited Financial Statements of the Company for the year ended December 31, 2023.

Directors

The Directors who served at any time during the year to the date the Financial Statements were signed were as follows:

	Appointed
Scott Cobon	January 4, 2022
David Ibeson	January 25, 2022
James Slaughter	January 25, 2022
Susan Pateras	January 27, 2022

Financial Results

The result for the financial year is a profit of $16,901,686 (2022: $2,837,687). The Company received capital contributions of $22,184,284 (2022: $57,130,402) during the year. No dividends were paid throughout the year. The Directors do not recommend the payment of a dividend for the year ended December 31, 2023.

The Company has one employee and has outsourced various operational functions to appropriate service providers appointed by the Board.

Future Outlook

The Company is expected to grow in size through the renewal of the in-force policies in place at the reporting period.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accorginly, they continue to adopt the going concern basis in preparing the annual report and Financial Statements.

Post balance sheet events

There have been no post balance sheet events since December 31, 2023, through to the date of this Report, that are required to be reflected in these Financial Statements.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws and regulations.

The Directors are required to prepare Financial Statements for each financial year. The Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with rasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Bermuda Insurance Act 1978.

Auditor

Deloitte Ltd was appointed and has expressed its willingness to continue in office as auditor.

Statement of disclosure of information to the auditors

Each of the persons who are Directors of the Company at the date of approval of this report

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approval by the Board of Directors on April 29, 2024 and signed on its behalf by:

Scott Cobon, Director

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Hamilton, HM12
Bermuda

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Apollo Bermuda Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Apollo Bermuda Limited (the "Company") as at December 31, 2023, and their financial performance and their cash flows for the period from January 1, 2023 to December 31, 2023 in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FR3 103 "Insurance Contracts".

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the related notes to the financial statements, which include the statement of accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Other Information

Management is responsible for the other information. The other information comprises of all of the information in the Directors' Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express and form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FR3 103 "Insurance Contracts", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, the auditor reports these conclusions in the auditor's report. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).

- Obtains sufficient appropriate audit evidence regarding the financial information of the entity's activities within the group to express an opinion on the financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Ltd.

April 29, 2024

Technical Account for General Business

	Note	2023	2022
		USD	USD
Earned premium			
Gross premium written	7	141,344,750	101,417,163
Change in the provision for unearned premium		(22,864,279)	(54,079,608)
Total technical income		118,480,471	47,337,555
Claims incurred			
Claims paid		(11,999,213)	(3,252,517)
Change in the provision for claims	8	(55,961,465)	(23,003,897)
Total claims incurred		(67,960,678)	(26,256,414)
Net operating expenses	9	(40,053,299)	(18,620,864)
Balance on the technical account for general business		10,466,494	2,460,277

The accompanying notes are an integral part of these Financial Statements.

Non-technical account

	Note	2023	2022
		USD	USD
Balance on the technical account for general business		10,466,494	2,460,277
Foreign exchange (losses)		(144,667)	(23,997)
Net investment return	6	6,579,859	401,407
Profit on ordinary activities before tax		16,901,686	2,837,687
Tax on profit on ordinary activities		-	-
Total comprehensive income for the year		16,901,686	2,837,687
Retained earnings brought forward		2,837,687	-
Retained earnings carried forward		19,739,373	2,837,687

All amounts related to continuing operations.

No other comprehensive income has been recognised and therefore no statement of other comprehensive income has been presented.

The accompanying notes are an integral part of these Financial Statements.

Apollo Bermuda Limited
Statement of Financial Position - Assets
As at December 31, 2023 and as at December 31, 2022

	Note	2023	2022
		USD	USD
Assets			
Cash and cash equivalents			
Cash and cash equivalents	10	264,550	821,036
		264,550	821,036
Investments			
Other financial investments	11	82,156,395	56,651,011
		82,156,395	56,651,011
Debtors			
Debtors arising out of reinsurance operatior	13	195,221,285	81,012,446
		195,221,285	81,012,446
Other assets			
Deferred acquisition costs		19,435,489	12,735,270
Prepayments		-	4,283
		19,435,489	12,739,553
Total Assets		297,077,719	151,224,046

Apollo Bermuda Limited
Statement of Financial Position - Equity and Liabilities
As at December 31, 2023 and as at December 31, 2022

	Note	2023	2022
		USD	USD
Equity and liabilities			
Equity			
Capital and reserves			
Called up share capital	15	120,000	120,000
Profit and loss account		19,739,373	2,837,687
Contributed surplus		79,194,686	57,010,402
Total Equity		99,054,059	59,968,089
Liabilities			
Technical provisions			
Provision for unearned premiums	7	76,943,887	54,079,608
Claims outstanding	8	94,217,092	26,256,414
Total technical provisions		171,160,979	80,336,022
Creditors			
Amounts falling due within one year		200,496	366,551
Amounts falling due after one year		26,662,185	10,553,384
Total Creditors	14	26,862,681	10,919,935
Total Liabilities		198,023,660	91,255,957
Total Equity and Liabilities		297,077,719	151,224,046

The accompanying notes are an integral part of these Financial Statements.

Approved by the Board of Directors on April 29, 2024 and were signed on its behalf by:

Scott Cobon

Apollo Bermuda Limited
Statement of Changes in Equity
For the year ended December 31, 2023 and period from December 22,2021 to December 31,2022

	Called-up share capital USD	Contributed surplus USD	Profit and loss account USD	Total Equity USD
Balance at December 22, 2021	-	-	-	-
Issuance of share capital	120,000	57,010,402	-	57,130,402
Income for the financial period	-	-	2,837,687	2,837,687
Balance at December 31, 2022	120,000	57,010,402	2,837,687	59,968,089
Contributed surplus during year		22,184,284		22,184,284
Income for the financial year			16,901,686	16,901,686
Balance at December 31, 2023	120,000	79,194,686	19,739,373	99,054,059

The accompanying notes are an integral part of these Financial Statements.

Apollo Bermuda Limited
Statement of Cash Flows
For the year ended December 31, 2023 and period from December 22,2021 to December 31,2022

	2023	2022
	USD	USD
Cash flows from operating activities		
Net comprehensive income for the year	16,901,686	2,837,687
Adjustments to reconcile net income to net cash provided by operating activities		
Change in:		
Debtors arising out of reinsurance operations	(114,208,839)	(81,012,446)
Deferred acquisition costs	(6,700,219)	(12,735,270)
Prepayments	4,283	(4,283)
Provision for unearned premiums	22,864,279	54,079,608
Claims outstanding	67,960,678	26,256,414
Creditors - Amounts falling due within one year	(166,055)	366,551
Creditors - Amounts falling due after one year	16,108,801	10,553,384
Cash flow provided by operating activities	2,764,614	341,645
Cash flows from financing activities		
Proceeds from issuance of share capital	-	120,000
Contributed capital in the year	22,184,284	57,010,402
Cash flow generated from financing activities	22,184,284	57,130,402
Cash flows from investing activities		
Purchase of other financial investments	(25,505,384)	(56,651,011)
Cash flow used in investing activities	(25,505,384)	(56,651,011)
Increase in cash and cash equivalents	(556,486)	821,036
Cash and cash equivalents - beginning of year	821,036	-
Cash and cash equivalents - end of year	264,550	821,036
Represented by:		
Cash and cash equivalents	264,550	821,036
Total cash and cash equivalents	264,550	821,036

The accompanying notes are an integral part of these Financial Statements.

1. General Information

Apollo Bermuda Limited (the “Company”) was incorporated in Bermuda on December 22, 2021 and subsequently licenced in Bermuda as a Class 3A commercial insurer with the provisions of the Bermuda Insurance Act 1978. The Company’s registered office is Wessex House, 45 Reid Street, Hamilton, HM 12, Bermuda.

The principal activity of the Company is underwriting an affiliated quote share of the Apollo 16 Limited, a corporate member supporting the underwriting capital for the Lloyd's Syndicates 1969 and 1971 (the "Syndicates"), managed by Apollo Syndicate Management Limited, a Lloyd's managing agent. The Company entered into one insurance policy in the year, assuming the results of the Syndicate's 2023 year of account.

In line with the Syndicate Accounting Byelaw, the underwriting year shall normally be closed at the end of the third year by means of reinsurance to close ("RITC"), but any underwriting year may (subject to the provisions of Lloyd's regulation) be left open beyond the normal date for closure. Following the closure of the underwriting year, the underwriting balances on the Statement of Financial Position will be settled.

The Company is a wholly owned subsidiary of Apollo Group Holdings Limited ("the Parent"), a company incorporated in the United Kingdom. The Parent company's registered office is located at 1 Bishopsgate, London, EC2N 3AQ, United Kingdom. Companies owned or ultimately owned by Apollo Group Holdings Limited are referred to as the "Apollo Group".

These Financial Statements are for the financial year ended December 31, 2023, with December 22, 2021 to December 31, 2022 as the comparative period.

2. Basis of preparation

The Financial Statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and Financial Reporting Standard 103, ‘Insurance Contracts’ (‘FRS 103’).

The Financial Statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The Financial Statements are prepared in US Dollars which is the functional currency of the Company. All underlying transactions for the Company are in US Dollars.

Legislation applied in the preparation of these Financial Statements is the Bermuda Insurance Act 1978.

3. Accounting policies

The principal accounting policies are set out below.

(a) Use of estimates and judgments

The preperation of the Financial Statements in conformity with FRS102 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

3. Accounting policies (continued)

(a) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates

The most significant estimates made by management are in relation to technical provisions. The carrying value of technical provisions at the reporting date is $171,160,978 (2022: $80,336,022). The estimates employed in the assessment of provisions for unearned premium are discussed in accounting policies (d). The estimates employed in the assessment of provisions for outstanding claims and IBNR are discussed in accounting policies (e).

Judgments

Management use judgments over the appropriate estimation techniques and assumptions to be applied for technical provisions. Judgments are based on actuaries' knowledge supplemented by industry data where appropriate.

(b) Insurance contracts

Insurance contracts are contracts where the Company accepts significant insurance risks, arising from both underwriting risk and timing risk, from a policyholder or reinsured by agreeing to compensate them if a specified uncertain future event (the insured or reinsured event) adversely affects them. The Company determines whether it has significant insurance risk by comparing the amount and timing of premiums, commissions, and claim settlement expenses with the amount and timing of such cash flows if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once the Company classifies a contract as an insurance contract, it retains an insurance contract for the remainder of its term, even if the insurance risk decreases significantly during this period, unless all rights and obligations extinguish or expire.

(c) Basis of accounting for underwriting activities

The results are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums as described below.

(d) Premiums

Premiums written relate to reinsurance inwards business incepted during the year, together with any differences between booked premiums for prior periods and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations.

3. Accounting policies (continued)

(d) Premiums (continued)

Premiums are accreted to the Income Statement - Technical Account on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. Premiums are recognised over the period of risk in proportion to the amount of reinsurance protection provided.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, generally calculated on a time apportioned basis. The movement in the provision is taken to the income statement technical account in order that premium is recognised over the period of the risk.

(e) Claims incurred

Claims incurred are recognised within the Statement of Comprehensive Income - Technical Account, with the gross and ceded amounts disclosed seperately. Claims incurred comprise:

- Claims paid during the financial year; and
- Movement in claims provisions during the financial year.

Claims provision and related reinsurance recoveries

Claims provisions within the Statement of Financial Position comprise the following:

- Estimated cost of claims notified but not yet settled at the financial year end ("outstandings"); and
- Incurred but not reported claims at the financial year end ("IBNR").

Claims provisions are estimated at each financial year end based on best available information. The Company takes all reasonable steps to ensure that it has appropriate information regarding its estimated claim exposures and these are set so that no adverse claims development are envisaged. Given the uncertainty in establishing claims provisions, it is likely that the final liability will prove different from the original estimates established. Where such uncertainty is deemed considerable, a degree of caution is excercised in setting claims provisions.

Notified outstanding claims

In estimating outstanding claims within the Statement of Financial Position, the Company considers the claim circumstances as reported.

Incurred but not reported ("IBNR") claims

The estimation of IBNR claims within the Statement of Financial Position is generally subject to a greater degree of uncertainty than the estimation of notified outstanding claims as less information is available. IBNR claims may often not be apparent to the insured until many years have passed following the event which triggers such claims.

3. Accounting policies (continued)

(e) Claims incurred (continued)

Incurred but not reported ("IBNR") claims (continued)

In calculating the IBNR claims, the Company applies utilises the services of the Apollo Syndicate Management Limited, whereby Apollo Group in-house actuaries perform reserving analysis on a quarterly basis, liaising closely with underwriters, claims and reinsurance personnel. The aim of this excercise is to produce a probability weighted average of the expected future cash outflows arising from settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to previous best estimate projections.

The Apollo Group reserving committee performs a comprehensive review of these projections, both gross and net of reinsurance. Following this review, the Apollo Group Reserving Committee makes a recommendation as to the claims provision to be established.

In arriving at the level of claims provision, a margin is applied over and above the Apollo Group actuarial best estimate to increase the probability that the reserves are sufficient to meet liabilities.

The IBNR is set to represent the best estimate of future claims with appropriate allowance for all risks faced.

(f) Acquisition costs

Acquisition costs within the Statement of Comprehensive Income - Technical Account represent the commission expenses associated with acquiring insurance contracts written during the financial year. Acquisition costs are recognised in the fianancial year in which the related premiums are earned.

Deferred acquisition costs ("DAC")

Acquisition costs are deferred over the period in which related premiums are earned and are recognised within the Statement of Financial Position as DAC.

(g) Debtors arising out of reinsurance operation

Debtors arising out of reinsurance operation within the Statement of Financial Position represent the premiums to be collected at the year end. Commissions payable are netted off this balance where the commissions to be paid to the same counterparty as the premiums are being received (refer to accounting policy (h) - Financial Instruments - Offsetting).

The balance is due to be settled in full upon the closure of the Syndicates underwriting year.

As at the year end, no provision has been put in place against the recoverability of the balance.

3. Accounting policies (continued)

(h) Financial Instruments

The Company has chosen to adopt FRS section 11 and 12 in respect to financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, bonds and similar debt instruments are initially recognised at transaction price. Upon their initial recognition, debt instruments are designated by the entity as fair value through profit and loss as this results in more relevant information to management, Any changes in fair value are recognised in the Statement of Comprehensive Income - Non Technical Account.

Financial assets are derecognised when; (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price and are subsequently measured at amortised cost. Trade payable are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classifed as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at the transaction price when recorded.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Financial Statements when there is an enforceable right to set off the recognised amounts; and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(j) Losses payable

The Company accounts for losses paid as reported by the cedant. Losses payable are due to be settled in full upon the closure of the Syndicates underwriting year.

3. Accounting policies (continued)

(k) Investment return

Investment return is recognised within the Statement of Comprehensive Income and comprises:

- Investment income earned during the financial year;
- Investment expenses, charges or interest incurred during the financial year;

Investment Income

Investment income comprises:
- Interest on bank balances;
- Returns on financial investments (Funds at Lloyds); and
- Quota share participation of investment returns reported by the cedant.

These are recognised on an accruals basis.

The insurance policy in place has the Company take a share of the financial results of the Cedant (which includes the investment return of the Syndicates).

Investment expenses, charges or interest

These are recognised on an accruals basis.

The Company's presentational and functional currency is USD. The trading results are translated at the average exchange rates for the year. The assets and liabilities are translated at the exchange rates ruling at the year-end.

(l) Distribution to equity shareholders

Dividends and other distributions to Company's shareholders are recognised as a liability in the Financial Statements in the year in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

(m) Taxation

The Bermuda Corporate Income tax Act (Bermuda CIT Act) was enacted on 27 December 2023 and is effective in 2025 for Bermuda businesses that are part of multinational groups with annual revenue exceeding Euro 750 million. The Company is currently assessing the impact of the Bermuda CIT Act and have made no elections at the date these financial statements have been prepared.

4. Risk management

The Company through its risk management function and the Board of Directors, seeks to identify all material risks inherent in its business including emerging risks, understand the manifestation of each risk, then assess , control, mitigate and manage these risks appropriately.

The key governance bodies of the Company are set out below:

- The Company's board, which is responsible for setting business and risk strategy and ensuring the principal risks and uncertainties facing the Company are managed;
- The Governance framework adopted by the Apollo Group. Details of which can be found in the financial statements of the parent company, Apollo Group Holdings Limited;
- Day-to-day management of the Company is provided through a insurance management agreement between the Company and Artex Insurance Management (Bermuda) Ltd.

The Company is exposed to risks from several sources. These fall into the broad categories of; underwriting risk (comprising premium, and reserve); financial risk (comprising credit and liquidity); operational risk; and strategic risk.

Underwriting risk

Underwriting risk consists of premium risk, catastrophe risk and reserve risk.

Underwriting risk arise either from the acceptance of risks that do not comply with the Company's underwriting guidelines and corporate strategy, or from the acceptance of risks that result in losses and expenses greater than it had anticipated at the time of underwriting.

The Company's underwriter has underwriting guidelines, limits of authority and busines plans which are binding. Underwriting proposals are ultimately approved by the Board of Directors.

Underwriting risk - premium

Premium risk is the risk that the premium to be earned over the next 12 month period from the in-force, new or renewal reinsurance contracts is insufficient to cover the claim cost, claim adjustment expenses as well as the acquisition costs to be incurred by those contracts over the same period.

Premiums written in the current financial year relate to the 2023 year of account and premium adjustments to the 2022 year of account for syndicates 1969 and 1971.

Underwriting risk - reserve

Reserve risk is the risk that the best (point) estimate of unpaid loss and loss adjustment expenses (collectively "claims reserves") are inadequate to cover all future payments for the settlement of claims from all prior accident years occuring at or before the valuation date.

Reserve risk is distinct from premium risk and is related to premium exposures that have already been earned, as well as claims outstanding.

4. Risk management (continued)

Underwriting risk - reserve (continued)

To manage reserving risk, the Company's actuaries uses a range of recognised actuarial techniques to project monitor claims development patterns, and stress test ultimate insurance liabilities.

A full analysis of claims reserves is performed by the Apollo Group actuaries on a quarterly basis. The analysis is provided to review the sufficiency of the estimated claims reservse and to critically assess the claims reserving practices of the Company.

The claims reserves established can be more or less than adequate to meet individual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for large losses and catastrophes, or from inadequate provision for unknown losses. The Company believes that the claims reserves established are adequate, however a 1% improvement/deterioration in the total incurred but not reported losses would have an impact on loss before tax of USD 622,363 (2022: USD 203,709).

The table below summarises the development of gross ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

	Underwriting years		
Gross ultimate liability estimates at the end of financial years	**2022 USD**	**2023 USD**	**Total USD**
End of financial year 1	26,256,414	33,686,673	59,943,087
End of financial year 2	34,274,005		34,274,005
Ultimate liability at December 31, 2023	60,530,419	33,686,673	94,217,092

Financial risk

Financial risk refers to the risk of financial loss due to a change in the value of the Company's assets, or a change of market risk factors that affect the value of such assets. The Company has identified the following as its main source of financial risks; credit risk and liquidity risk.

Interest rate risk is not considered to be a significant risk given the nature of the financial assets the Company holds (Funds at Lloyds) have minimal exposure to interest rate risk.

There is no considerable price risk arising from its investments due to their nature.

Financial risk - credit

Credit risk is the risk of potential financial loss due to unexpected default, or deterioration in the credit ratings of asset counterparties - causing a loss in asset values. These include reinsurance debtors, receivable from brokers/cedants and financial investments with a diverse range of counterparty issuers.

The Company's premium debtor are with companies within the Apollo Group. The premium debtor risk is considered low.

4. Risk management (continued)

Financial risk - liquidity

This is the risk the Company may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The predominant liquidity risk the Company faces is in respect of claims arising from insurance contracts.

Claim liabilities are due to be settled in full upon the closure of the syndicates underwriting year.

The Company's Insurance Manager monitors the levels of cash and cash equivalents ensuring adequate liquidity to meet the expected cash flow requirements due over the short term.

Operational risk

Operational risk is the potential for losses arising from the failure of people, process or technology or the impact of external event. The nature of operational risk means that it is dispersed across all functional areas of the Company.

Outsourcing risk is considerd part of operational risk. The Company is dependent upon a number of functions provided by the Insurance Manager through outsourcing agreements to support its operations.

Cyber security is also considerd part of operational risk. Cyber security breaches, could if they occurred, cause significant financial losses and/or damage to the reputation of the Company.

Commercial and strategic risks

There is a risk that the Company's strategy is not appropriate or is not implemented effectively which could result in material losses.

5. Statutory matters

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with BMA requirements, while maximising the return to capital providers.

As a Class 3A commercial insurer, the Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of The Insurance Act 1978. Each year the Company is required to file with the BMA a capital and solvency return within four months of its relevant period end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement ("BSCR") model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities by security type. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The Authority requires all Collaterized Insurers to maintain their capital at a target level which is 120% of the amount calculated in accordance with the BSCR (the Enhanced Capital Requirement). In addition, the Company is required to maintain a minimum solvency margin. Both requirements have been met.

5. Statutory matters (continued)

Under the Insurance Act, the Company is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. In addition, the Company is restricted from reducing by 15% or more its prior's total statutory capital without approval from the BMA.

6. Net investment return

	2023 USD	2022 USD
Funds at Lloyd's investment return	3,321,001	520,608
Investment return ceded from Apollo 16 Limited	3,258,858	(119,201)
Total investment return before expenses	6,579,859	401,407
Investment management expenses	-	-
Net investment return	6,579,859	401,407

7. Provision for unearned premium

	2023 USD	2022 USD
Balance at beginning of year	54,079,608	-
Premiums written in the year	141,344,750	101,417,163
Premiums earned in the year	(118,480,471)	(47,337,555)
Balance at end of year	76,943,887	54,079,608

8. Claims incurred

	2023 USD	2022 USD
Claims outstanding at beginning of year	26,256,414	-
Claims paid during period	11,999,213	3,252,517
Outstanding claims reserve movement	13,217,781	2,225,452
Claims incurred but not reported movement	41,865,392	20,370,886
Loss adjustment expense reserve movement	878,292	407,559
Claims incurred	67,960,678	26,256,414
Claims outstanding at end of year	94,217,092	26,256,414

9. Operating expenses

	2023 USD	2022 USD
Acquisition costs		
Acquisition costs	27,282,341	20,471,010
Change in deferred acquisition costs	(6,700,218)	(12,735,270)
	20,582,123	7,735,740
Operating expenses ceded from Apollo 16 Limited	19,222,706	10,342,378
Administrative expenses		
Professional fees	91,982	379,901
Government fees	78,331	54,050
Director fees	55,000	46,505
Audit fees	43,650	40,000
Other general administrative expenses	(20,493)	22,290
	40,053,299	18,620,864

10. Cash and cash equivalents

	2023 USD	2022 USD
Cash at bank	264,550	821,036
	264,550	821,036

All cash and cash equivalents are held with HSBC Bank (Bermuda) Limited, rated A- by AM Best. Funds are immediately available to meet liquidity requirements of the Company.

11. Other financial investments

	2023 USD	2022 USD
Funds at Lloyd's	82,156,395	56,651,011
Other financial investments	82,156,395	56,651,011

Funds at Lloyd's represents cash and cash equivalents with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation in the Syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

12. Related party transactions

During the year, Director fees of $55,000 (2022: $46,505) were paid. No Director loans were provided during the year.

As described in note 1, Company has entered into an insurance policy with Apollo 16 Limited, a related party by virtue of common ownership by Apollo Group Holdings Limited.

The reinsurance policy underwritten has the Company assume a share of the 2023 year of account results for the Syndicates. This includes the underwriting and non-underwriting performance of the Syndicates (includes a share of the Syndicate's investment return and administration expenses). The balances payable and receivable from the reinsurance policy are due to be settled in full following the closure of the Syndicate's underwriting year (refer to note (1)).

Pursuant to expense reimbursement agreement certain operating expenses incurred by the Company are from entities affiliated with the Directors of the Company.

The following table shows the amounts attributable to the related parties described above:

	2023 USD	2022 USD
Statement of Financial Position		
Debtors arising out of reinsurance operations	195,221,285	81,012,446
Deferred acquisition costs	19,435,489	12,735,270
Provision for unearned premiums	76,943,887	54,079,608
Claims outstanding	94,217,092	26,256,414
Creditors falling due within one year	86,124	180,439
Creditors falling due after one year	26,662,185	10,553,384
Income Statement		
Gross premium written	141,344,750	101,417,163
Change in the provision for unearned premium	(22,864,279)	(54,079,608)
Claims paid	(11,999,213)	(3,252,517)
Change in the provision for claims	(55,961,465)	(23,003,897)
Operating expenses - Operating expenses ceded from Apollo 16 Limited (note 9)	(19,222,706)	(10,342,378)
Operating expenses - Acquisition costs (note 9)	(27,282,341)	(20,471,010)
Operating expenses - Change in deferred acquisition costs (note 9)	6,700,218	12,735,270
Operating expenses - Director fees (note 9)	(55,000)	(46,505)
Operating expenses - Professional fees	(190,589)	(200,286)
Net investment return - Investment return ceded from Apollo 16 Limited (note 6)	3,258,858	(119,201)

13. Debtors arising out of reinsurance operations

	2023 USD	2022 USD
Amounts falling due after one year	195,221,285	81,012,446
	195,221,285	81,012,446

The balances balance above is due to be settled in full following the closure of the Syndicate's underwriting year (refer to note (1)).

14. Creditors

	2023 USD	2022 USD
Amounts falling due within one year	200,496	366,551
Amounts falling due after one year	26,662,185	10,553,384
	26,862,681	10,919,935

Creditors falling due after one year represent the liabilities incurred in relation to the reinsurance contract entered into with Apollo 16 Limited during the year. The balances balance above is due to be settled in full following the closure of the Syndicate's underwriting year (refer to note (1)).

15. Share capital

The authorised, issued and fully paid share capital of the Company is $120,000, comprising 120,000 common shares of $1 par value (2022: $120,000). The shares entitle the holders to dividends, and on liquidation or dissolution, to any Company assets available for distribution to them. The remaining capital consists of $79,194,685.76 (2022: $57,010,402) contributed surplus. The reserve within equity consists entirely of retained earnings.

16. Directors emoluments

	2023 USD	2022 USD
Aggregate emoluments - Director fees	55,000	46,505
	55,000	46,505

17. Auditors' remuneration

During the year, the Company obtained the following services from its auditor:

	2023 USD	2022 USD
Fees payable to the Company's auditor for the audit of the Company's financial statements	43,650	40,000
	43,650	40,000

18. Post balance sheet events

In preparing these Financial Statements the Directors have evaluated and disclosed all material subsequent events up to the date that the Financial Statements were available to be issued.

No material subsequent events requiring disclosure were noted.